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Illinois Bell Telephone Company )  
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Annual Rate Filing for )  
Noncompetitive Services Under an )  
Alternative Form of Regulation )

Docket No. 02-0240

ANNUAL RATE FILING

Pursuant to the Commission's Order in Illinois Commerce Commission Docket Nos. 92-0448 and 93-0239 approving a plan for an alternative form of regulation, dated October 11, 1994 ("Order"), Illinois Bell Telephone Company ("Illinois Bell" or "the Company") hereby provides to the Commission its Annual Rate Filing ("Filing"). The Company's Filing is made in conformity with Appendix A (II) of the Order and includes the following exhibits:

- Exhibit 1 - Calculation of the Gross Domestic Product Price Index Change;
- Exhibit 2 - Calculation of the service quality component;
- Exhibit 3 - Calculation of the exogenous factor component;
- Exhibit 4 - Calculation of the price cap index;
- Exhibit 5 - Service Baskets showing the calculation of the actual price cap index for each basket (proprietary);
- Exhibit 6 - Demonstration of compliance with Section 13-507 (proprietary);
- Exhibit 7 - Tariff pages to reflect revised rates in each of the Service Baskets;
- Exhibit 8 - Description of Proposed Changes to Rates in 2002 Annual Rate Filing;
- Exhibit 9 - Report of Recordation of all Savings and Costs for the Period Ending December 31, 2001; (proprietary)
- Exhibit 10 - API Changes to Carrier Basket;
- Exhibit 11 - Residence Usage Volume Discount Documentation
  - A. Replacement methodology documentation
  - B. Documentation of MSA 1 Residence Usage Volume Discount (proprietary)
  - C. Documentation of MSA 2 Residence Usage Volume Discount (proprietary)
- Exhibit 12 - H.B. 2900 Mandated Budget Package (proprietary)

The Company is proposing an exogenous change of \$ 33.3 million as a result of the Commission's mandated reductions to switched access rates in the Order on Rehearing in Dockets 97-0516/97-0601/97-0602 ("Carrier Access Order"). The exogenous change is made pursuant to the Commission's rules in Appendix A (I) (4) and previous annual rate filing orders. A description and justification of the exogenous change is included as Exhibit 3. The Company is not seeking any price increases in this annual rate filing as a result of this exogenous change.

The Company's Carrier Access Order tariffs became effective in June, 2000. The revenue reductions were considered in the Company's rate rebalancing proposal in the Commission's review of alternative regulation in Dockets 98-0252/98-0335/00-0764. However, since the Company withdrew its rate rebalancing proposal subsequent to the 2001 annual rate filing, it is no longer under consideration. As a result, it is appropriate to include the revenue reductions as an exogenous change at this time. The 2001 annual rate filing order, Docket 01-0302, recognized the possibility of deferring the request until the current filing.

The Company is required to report and flow-through in a specific manner actual merger-related costs and savings as part of the annual rate filing on April 1 of each year in accordance with the Commission's Merger Order in Docket 98-0555. Reported merger costs and savings for 2001 are included as Exhibit 9. The Commission's review of alternative regulation is currently under review in Dockets 98-0252/98-0335/00-0764 and the record has been reopened to address a Joint Proposal which, if adopted, would be in full satisfaction of the Company's obligation to flow merger savings through to its customers. Commission adoption of the Joint Proposal would also terminate the tracking,

reporting, and auditing requirements applicable to merger savings, including the information provided in this annual rate filing as Exhibit 9.

In compliance with the Commission's order for the 2001 annual rate filing, Docket 01-0302, the Company has developed a replacement methodology for determining the impact of usage volume discounts. Required documentation supporting this replacement methodology is included as Exhibit 11.

House Bill 2900 mandated the introduction of unlimited local service packages. The first of these mandated packages, a budget package called the Residence Saver Pack Unlimited, became effective on September 4, 2001, and resulted in a decrease in proposed revenues in the Residence basket of \$ 2.7 million. A description of this price reduction is included in Exhibit 12.

In accordance with Appendix A (II)(c), Illinois Bell requests that the Commission establish a comment period for the parties. Illinois Bell also requests that the Commission take administrative notice of the record and Order in Docket Nos. 92-0448/93-0239 for use in reviewing this filing.

Respectfully submitted,

By: James E. Seigman  
Director-Regulatory Financial Affairs

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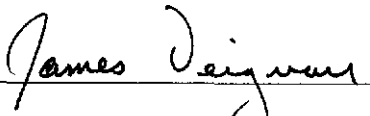
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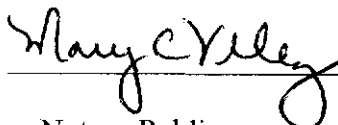
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VERIFICATION

I, James Deignan, being first duly sworn on oath, states that I am Director – Regulatory State Financial Affairs for Ameritech Illinois, with primary responsibility for Ameritech Illinois' alternative regulation plan and annual filings related to such plan. I am familiar with the contents of Ameritech Illinois' Application for Annual Rate Filing and believe them to be true to the best of my knowledge, information and belief.

  
James Deignan

Subscribed and Sworn to before  
Me this 28<sup>th</sup> day of March, 2002.

  
Notary Public

